

**Testimony of Tom Romeo
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**Before the Subcommittee on Telecommunications and the Internet
U.S. House Energy & Commerce Committee**

Hearing on Status of the DTV Transition – 252 Days and Counting

June 10, 2008

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify before you again on the status of the DTV Transition. My name is Tom Romeo and I am Director of Federal Services for IBM's Global Business Services, Public Sector. I am here today to update you on the progress the IBM Team is making implementing the National Telecommunications and Information Administration (NTIA) TV Converter Box Coupon Program.

Background

The Coupon Program, authorized by the Digital Television Transition and Public Safety Act of 2005, provides for distribution and redemption of coupons that consumers may apply toward the purchase of certified digital-to-analog converter boxes from participating retailers. As you know, this act allows U.S. households to request one or two coupons, worth \$40 each, to be used toward the purchase of a certified converter box. Between January 1, 2008 and March 31, 2009, all U.S. households may request up to two coupons, worth \$40 each to be used toward the purchase of up to two digital-to-analog converter boxes until all of the 22.25 million coupons allocated under the initial phase of the program have been issued. The program then moves to the "contingent period"

which requires 11.25 million coupons to be available exclusively to households that rely on over-the-air broadcasting as their sole source of television programming.

Program Goals

NTIA awarded IBM the contract to provide services for the TV Converter Box Coupon Program on August, 15, 2007. Working within the program parameters, IBM designed the NTIA TV Converter Box Coupon Program to be consumer-focused, easy to use, and provide maximum choice and access for both consumers and retailers. IBM and its business partners, Ketchum Public Affairs, Epiq Systems and Corporate Lodging Consultants are providing services in four areas:

- Consumer education
- Coupon distribution to consumers and redemption
- Support for retail store participation
- Financial processing to reimburse retailers, and to maintain records.

Ensuring high retailer participation and satisfaction are essential elements to the overall success of the program. Our goal continues to be to successfully communicate the details of the TV Converter Box Coupon Program to targeted consumers, distribute coupons, and complete the redemption process efficiently.

Program Metrics and Status

On January 1, 2008 the Consumer Support Center opened for business and began to take orders from consumers across the nation for their TV Converter Box Coupons.

Consumers are able to order coupons using any of four available options. The toll-free phone number (1-888-DTV-2009) is operational 24x7 with live agents available to callers. Operators can accommodate requests in more than 150 languages. The toll-free phone option also provides a TTY solution in Spanish and English for use by the hearing impaired. Other options to apply for coupons include online at www.DTV2009.gov, by mail (P.O. Box 2000, Portland, OR 97208-2000), and via fax (1-888-DTV-4ME2).

Coupon application forms are also available in Braille for the visually impaired.

As we reported to you in February, consumers continue to show great interest in the Coupon Program with over 16,038,539 coupons ordered as of June 3 representing an average of more than 3,000,000 coupons ordered on a monthly basis. To date, approximately 88.4% of the requesting households have ordered the maximum of two coupons.

Although the statute allows for coupon requests to be taken between January 1, 2008 and March 31, 2009, at the current rate of public demand we expect to have accepted requests for the initial round of 22,250,000 coupons from the program's base funding of \$890 million by early August 2008. When this milestone is reached, a decision needs to be made as to whether the program moves to shipping contingent coupons, or whether coupons not redeemed during the base funding period will be recycled to offer more than the initial 22,250,000 coupons designated for the base funding period.

In the 118 days since I last came before this Committee, I am pleased to report that we continued our progress in recruiting the voluntary participation of both large national retailers and smaller, local retailers. As of June 3, 2008 - 1,819 retailers representing more than 19,440 stores nationwide are currently certified and participating in the program. Seven of the largest consumer electronics retailers – Best Buy, Circuit City, Kmart, Radio Shack, Sears, Target, and Wal-Mart are among the retailers participating in the Coupon Program. This includes locations in all 50 states, Guam, Puerto Rico, and the U.S. Virgin Islands. These stores have completed certification in the Coupon Program, indicated that their employees are trained, have converter box inventory in their stores, and have their point-of-sale systems prepared to redeem coupons. Consumers are also able to order converter boxes from 19 online retailers, or from any of the 7 retailers offering a phone order option. A list of all participating retail outlets, searchable by state and 5-digit zip code, can be found on www.DTV2009.gov under “Locate a Retailer Near You.”

We believe the strong demand for coupons indicates we are on the right track educating consumers about the Coupon Program, and remain focused on intensifying consumer education as we head toward February 2009. Our partner, Ketchum Public Affairs, continues to lead the consumer education effort focused on the five communities who most likely rely more heavily on over-the-air broadcasting than the general population: 1) senior and older Americans; 2) the economically disadvantaged; 3) rural residents; 4) people with disabilities; and 5) minorities. We continue to build and leverage a network of committed partners who already have access to many of the population segments we

are targeting, and currently work with over 300 public and private sector partners with ties to senior citizen, rural and disability communities. The Partnership Toolkit which includes DTV and Coupon Program background material, fact sheets, posters, sample public service announcements, and presentations is co-branded for use by partners at a variety of events. Also included and used by our partners are specific strategies on how to reach the media to effectively deliver the Coupon Program message, and ideas and resources for informing consumers through community and in-store events. In addition, our work with the media to place stories about the Coupon Program is heavily focused not only on national media, but also the television markets that have the largest estimated number and percentage of over-the-air reliant households.

Challenges and Future Steps

The accelerated pace of consumer demand has required our team to react quickly to pinpoint needed adjustments and implement alternative solutions when necessary. For example, when the program launched at the start of this year, consumers ordered 2,144,632 coupons during the first week of January, representing 10% of the base funding. By February 21, 2008, when the first coupons were shipped to consumers, the program had processed requests for more than 6 million coupons. These numbers far exceeded initial projections. We increased our daily and weekly coupon distribution capacity to allow for far greater numbers than planned, and have now issued more than 14.6 million coupons. Today, a consumer can expect to have their coupon order processed and mailed within 10-15 days, and to receive their coupon within 3-4 weeks of placing their order.

Continued strong consumer interest in the Coupon Program (and the DTV Transition generally) has translated to continued high call volumes into the Consumer Support Center. The Internet remains the most popular channel, with approximately 57.5% of the requests received via the Internet, followed by 40.1% via the telephone, and 2.4% for the mail and fax channels combined. This breakdown has remained relatively constant since the program launched in January. The Call Center handled more than 2 million calls during the month of May, with approximately 40% of those coming from Spanish speakers. The Interactive Voice Response (IVR) system has been able to support between 50 and 60% of the callers without the need for a live agent, a very high IVR resolution rate by industry standards. Most recently, more of the public is calling with questions about the program or about the digital transition rather than to request a coupon, increasing our need for live operators. We continue to adjust messaging on the automated Interactive Voice Response (IVR) system to expedite the coupon ordering process, answer as many questions as possible, offer recorded information while callers wait for an agent, and provide a positive experience for the consumer.

As we plan for the coming months, we have identified several challenges that need to be addressed. The majority of consumer messaging is focused on making sure consumers understand the transition to digital broadcasting will occur on February 17, 2009.

Consumers who wait until February 17 or after that date to request their coupons may not realize that it will take several weeks for their coupons to arrive by mail. Further, if even 1% of the public were to attempt to order their coupons that day, our telephone and computer systems would be stretched beyond current capacity. In light of these sobering

scenarios, we are working with our partners to adjust public messaging to encourage consumers to act well in advance of the February 17 transition date. We will also work with NTIA to determine what capacity enhancements are prudent in anticipation of spikes in demand in the first quarter of 2009. We are also exploring feasible alternative solutions for consumers who request coupons after the transition date

The IBM Team is pleased to be part of implementing this vital program and recognizes that many challenges remain on the way to February 17, 2009. Our team continues to be ready to meet those challenges and work to ensure that consumers across the United States have continued access to free television broadcasting, including educational, entertainment, emergency and homeland-security information.

Thank you for the opportunity to testify today and I will be happy to answer any questions.